

REGISTERED NUMBER: 07882099 (England and Wales)

**Report of the Directors and
Financial Statements
for the year ended 31st December 2013
for
Key Midco Limited**

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Key Midco Limited

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Key Midco Limited

Company Information

Directors:

D J Elliott
J R H Cumming
P E J Burton

Registered office:

15 Bedford Street
Charing Cross
London
WC2E 9HE

Registered number:

07882099 (England and Wales)

Auditor:

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Key Midco Limited

Directors' report

The directors of Key Midco Limited (the 'Company') present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year to 31 December 2013

The Directors' report has been prepared in accordance with the special provisions relating to small companies entitled to the small companies' exemption.

Principal activity

The principal activity of the Company in the period under review was that of holding company. The Company is a member of the Key Topco Limited group of companies (the 'Group'), an insurance broking group in the UK, with internal underwriting capacity available in Gibraltar.

Review of the business

The results of the Company for the year ended 31 December 2013 are set out in the Profit and Loss Account.

The loss after tax for the financial year is £6.7 million (2012:£3.2 million). This includes an impairment charge of £2.2 million in the current year.

The Company acts as a holding company and incurs interest costs on loan notes issued to finance investments and expects this to continue for the foreseeable future.

Directors

The directors who have held office during the year to 31 December 2013 and to the date of this report are as follows:

D J Elliott (appointed 27 May 2014)
J R H Cumming (appointed 3 October 2014)
P E J Burton (appointed 2 September 2014)
I H Chippendale (resigned 30 June 2014)
S Delaney (resigned 14 August 2014)
J R Kaye (resigned 27 May 2014)
R J Taberner (resigned 28 February 2014)

All the directors who are eligible will offer themselves for re-election at the forthcoming Annual General Meeting.

The Group has made qualifying third party indemnity provisions for the benefit of directors of all Group companies which were made during the year and remain in force at the date of this report.

Dividends

No dividends have been paid in the year ended 31 December 2013 (period ended 31 December 2012:£nil).

The directors do not recommend payment of a final dividend on the ordinary shares for the year ended 31 December 2013. (period ended 31 December 2012:£nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the Directors' Report. The Directors' Report also describes the financial position of the Company, its cash flows, liquidity risk and the Company's objectives. Policies and processes for managing its capital, its financial risk, management objectives, exposure to credit and liquidity risk are in place.

The Company and its subsidiaries meet their day to day working capital requirements from corporate cash balances. The UK broking market remains extremely competitive and the Company's subsidiaries suffered from reduced customer volumes as the business continued to move into more niche segments of the market. The Company and its subsidiaries continue to monitor the uncertainty in the current environment and the directors are satisfied that their services will continue to be attractive to clients.

The directors note that the Company is in a net liability position, with total liabilities exceeding total assets by £9.0 million (2012: £2.2 million).

Key Midco Limited

Directors' report (continued)

Going concern (continued)

The repayment terms of the loans held in the Company's subsidiary Key Bidco Ltd have been renegotiated with the Royal Bank of Scotland plc, and new covenants have been included as part of this renegotiation, with the first covenant test date being 31 December 2014. A guarantee of £2.0 million has been provided by Funds managed by Darwin Private Equity LLP, the ultimate shareholder across all outstanding RBS facilities.

After a review of the Company and its subsidiaries' cash flows and forecast for the period of the next 3 years, and after securing new banking facilities within which the business is expected to operate, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, while acknowledging the current guidance on going concern, including that from the FRC, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal risks and uncertainties

The Group has a risk committee that meets monthly which advises the Board on risk and compliance matters and monitors the risk appetite of the business. This committee reviews and challenges the output of the business and each division's risk maps.

The principal risks and uncertainties facing the Group are those relating to people, competition, errors and omissions and interruption to information processing capabilities.

i) Competitive risks

The nature of the current market combined with some very aggressive strategies from competitors puts significant pressure on the Group to retain existing business and to win new business. Further significant risk exists in maintaining relationships with aggregators and insurers. The Group mitigates these risks by continuing to enhance its value proposition to clients and regular and open meetings with aggregators and insurers.

The Group does not control premiums on which broking commissions are based. Premiums are cyclical and variable.

ii) People risks

The willingness of competitors to offer key staff higher remuneration and benefits packages continues to be a risk to the Group's ability to attract and retain key people. Periodic benchmarking of salaries is carried out to ensure the Group remains competitive.

iii) Errors and omissions

The Group is subject to claims and litigation in the ordinary course of its business, principally in connection with the Group's insurance broking business. The Group mitigates this risk through regular review of the Group processes and, ultimately, the taking out of the appropriate insurance cover.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Company are interest rate risk, currency risk, credit risk and liquidity/cash flow risk.

i) Liquidity/cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The Company maintains significant holdings in liquid funds to mitigate against risk. The directors of the Company make use of forecasts and budgets to monitor and control cash flows and working capital requirements.

ii) Interest rate risk

The Group has both cash deposits and holdings in government and corporate bonds in its portfolio. The primary market risk in the investment portfolio is interest rate risk, namely the fair value sensitivity of a fixed-income security or cash to changes in interest rates. The interest rate risk is managed through active investment portfolio management to ensure a prudent mix of fixed income investments with a varied maturity schedule. This is in line with guidelines issued by the ultimate parent company.

iii) Currency risk

The Company is exposed to currency risk in respect of revenue as well as assets and liabilities denominated in currencies other than pounds sterling. The most significant currency to which the Company is exposed is the Euro. The Company seeks to mitigate the risk as far as possible by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Key Midco Limited

Directors' report (continued)

Financial risk management (continued)

iv) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company and its subsidiaries are exposed to credit risk are amounts due from clients and insurers in respect of brokerage not yet received and cash investment holdings.

The use of premium credit with full recourse across the Group gives rise to potential debt through default by the clients with the premium credit provider.

The Company mitigates its credit risk for cash and investments by only depositing money or holding investments in entities with a sufficiently high credit rating. The credit rating required is that demanded by the ultimate parent company. In addition the Company has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single issuer, and the level of investment in a non-sovereign- issue.

The Company mitigates its credit risk in respect of funded items by closely monitoring the debts created.

Brokerage and fee debtors are also monitored closely with a view to minimising the collection period of these items, particularly given the current economic climate.

Political donations

During the year no donations were made to political parties (period from 14 December 2011 to 31 December 2012: £nil).

Events after the balance sheet date

On 6 March 2014 the Group's subsidiary The A & A Group Limited sold all the ordinary share capital of its subsidiary SAS Auto First. Of the net proceeds of £10.1m, £8.6m has been applied in repaying secured bank loans.

On 27 June 2014, the Company issued secured Loan Notes (New Investor Notes) to the value of £2,000,000 to Funds managed by Darwin Private Equity LLP, the Company's ultimate controlling party. The loan notes are redeemable by 22 March 2022 and carry a fixed interest rate of 25% per annum.

On 27 June 2014 the Company issued secured Loan Notes (New Manager Notes) to the value of £1,051,108 to ADMA Allen, a director of the Company. The loan notes are redeemable by 22 March 2022 and carry a fixed interest rate of 25% per annum.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting

On behalf of the board:


.....
J R H Cumming - Director

Date: 17 December 2014

Key Midco Limited

Directors' responsibility statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY MIDCO LIMITED

We have audited the financial statements of Key Midco Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

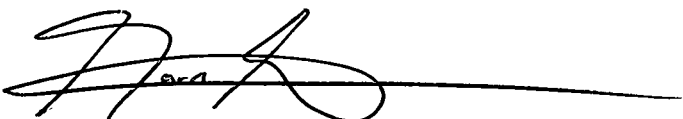
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic report or in preparing the Directors' report.



Mark McIlquham (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

15 December 2014

Key Midco Limited
Profit and Loss Account
for the year ended 31st December 2013

		Period 14 December 2011 to 31 December	
	Note	2013 £000	2012 £000
Turnover		-	-
Administrative expenses		(79)	(12)
Exceptional item:			
Impairment of investments		(2,218)	-
Total administration expenses		<u>(2,297)</u>	<u>(12)</u>
Operating loss		<u>(2,297)</u>	<u>(12)</u>
Interest payable and similar charges	4	(4,429)	(3,166)
Loss on ordinary activities before taxation	3	<u>(6,726)</u>	<u>(3,178)</u>
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	12/13	<u><u>(6,726)</u></u>	<u><u>(3,178)</u></u>

Continuing operations

The profit and loss account above relates to continuing activities.

Total recognised gains and losses

The Company has no recognised gains or losses other than the loss on ordinary activities before taxation and the loss for the financial year.

Historical profits and losses

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

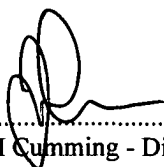
Key Midco Limited

No. 07882099

**Balance Sheet
At 31st December 2013**

	Note	2013 £000	2012 £000
Fixed assets			
Investments	6	32,477	34,695
Current assets			
Debtors	7	-	70
Creditors			
Amounts falling due within one year	8	(5,993)	(3,236)
Net current liabilities		<u>(5,993)</u>	<u>(3,166)</u>
Total assets less current liabilities		<u>26,484</u>	<u>31,529</u>
Creditors			
Amounts falling due after more than one year	9	(35,443)	(33,762)
Net liabilities		<u>(8,959)</u>	<u>(2,233)</u>
Capital and reserves			
Called up share capital	11	9	9
Share premium	12	936	936
Profit and loss account	12	(9,904)	(3,178)
Shareholders' funds deficit	13	<u>(8,959)</u>	<u>(2,233)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 December 2014
They were signed on its behalf by:



.....
J R H Cumming - Director

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013

1. Accounting policies

Accounting convention

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the Directors' Report. The Directors' Report also describes the financial position of the Company, its cash flows, liquidity risk and the Company's objectives. Policies and processes for managing its capital, its financial risk, management objectives, exposure to credit and liquidity risk are in place.

The Company and its subsidiaries meet their day to day working capital requirements from corporate cash balances. The UK broking market remains extremely competitive and the Company's subsidiaries suffered from reduced customer volumes as the business continued to move into more niche segments of the market. The Company and its subsidiaries continue to monitor the uncertainty in the current environment and the directors are satisfied that their services will continue to be attractive to its clients.

The directors note that the Company is in a net liability position, with total liabilities exceeding total assets by £9.0 million (2012: £2.2 million).

The repayment terms of the loans held in the Company's subsidiary Key Bidco Ltd have been renegotiated with the Royal Bank of Scotland plc, and new covenants have been included as part of this renegotiation, with the first covenant test date being 31 December 2014. A guarantee of £2.0 million has been provided by Funds managed by Darwin Private Equity LLP, the ultimate shareholder, across all outstanding RBS facilities.

After a review of the Company and its subsidiaries' cash flows and forecast for the period of the next 3 years, and after securing new banking facilities within which the business is expected to operate, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, while acknowledging the current guidance on going concern, including that from the FRC, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Preparation of consolidated financial statements

Group accounts are not prepared in line with section 401 of the Companies Act 2006 as this Company is itself a wholly owned subsidiary and is included in the consolidated financial statements of Key Topco Limited, its ultimate parent Company. Accordingly these accounts present information about the Company as an individual undertaking and not about its Group.

Cash flow statement and related party disclosure

The Company is a wholly-owned subsidiary of Key Topco Limited and is included in the consolidated financial statements of Key Topco Limited, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

The Company is exempt under the terms of FRS 8 Related Party Disclosures, from disclosing related-party transactions with entities that are part of the Key Topco Limited group or investees of Key Topco Limited group.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013 (continued)

1. Accounting policies - continued

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or at realisable rates were covered by forward exchange contracts. Foreign currency transactions are translated into sterling at the rates of exchange at the dates the transactions occurred.

All gains and losses arising from foreign exchange transactions are recognised in the profit and loss account.

Interest and investment income

Interest income is recognised on an accruals basis. Dividends from associated undertakings are accounted for when declared.

Investments

Fixed asset investments are shown at cost less provisions for any impairment.

Impairment

In accordance with FRS 11, 'Impairment of fixed assets and goodwill' long term assets are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The carrying value of the investment of the long term asset is compared with its recoverable amount, being the higher of the net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting at a market-based discount rate, the expected future cash flows from its continued use, including those arising from its final disposal. When the carrying values of long term assets are written down by an impairment amount, the loss is recognised in the profit and loss account in the period in which it is incurred.

2. Staff costs

There were no staff costs for the year ended 31st December 2013 (Period ended 31 December 2012:£nil). Services that were required were provided by employees of The A & A Group Ltd., a subsidiary undertaking. It is not practical to allocate the cost of their services to the Company.

3. Loss on ordinary activities before taxation

Information regarding directors, employees and audit fees

The director, RJ Taberner is an employee of another Group subsidiary, The A & A Group Limited and was remunerated by that Company for his services to the Group as a whole and he received no remuneration for his services as a director of this Company. The director, IH Chippendale, was remunerated by the Group's subsidiary company, The A & A Group Limited Limited, and he received no remuneration for his services as a director of this Company. The directors S Delaney and JR Kaye received no remuneration for their services as directors of the Company.

The Company had no other employees during the current year and prior period.

The audit fee and annual filing fees were borne by a fellow subsidiary undertaking during the year. No other services were provided to this Company by the Company's auditor in the current and prior year.

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013 (continued)

4. Interest payable and similar charges

	2013	Period 14 December 2011 to 31 December 2012
	£000	£000
Loan notes interest payable	4,429	3,166

5. Taxation

	2013	Period 14 December 2011 to 31 December 2012
	£000	£000
Current tax		
UK corporation tax	-	-

Tax rate reconciliation

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

Loss on ordinary activities before tax	(6,726)	(3,178)
Tax (credit) at standard UK corporation tax rate of 23.25% (2012: 24.5%)	(1,564)	(779)
Expenses not deductible for tax purposes	1,404	330
Interest deductible in later periods	145	-
Tax losses carried forward	15	-
Short term timing differences	-	223
Losses surrendered to group relief for no consideration	-	226
	-	-

The UK corporation tax expense within these financial statements has been provided for at the rate of 23.25% (2012: 24.5%). The blended rate for the accounting period represents the reduction of the headline rate from 24% to 23% on the 1 April 2013. On 17 July 2013 the UK Government has enacted the reduction in the main rate of corporation tax rate to 21% effective from 1 April 2014 and 20% effective from 1 April 2015. Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date and accordingly deferred tax has been recognised within these financial statements at 20%.

The Company has a deferred tax asset of £14,852 (2012:£nil) in respect of a carried forward losses. This deferred tax asset has not been recognised in the accounts as it is not anticipated with sufficient certainty that it will be recovered in the near future.

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013 (continued)

6. Fixed asset investments

Subsidiary undertakings

	£000
Cost	
As at 31 December 2013 and 1 January 2013	<u>34,695</u>
Provision for impairment	£000
At 1 January 2013	-
Written off	<u>2,218</u>
At 31 December 2013	<u>2,218</u>
Carrying value 31 December 2013	<u>32,477</u>
Carrying value 31 December 2012	<u>34,695</u>

Name	Country of incorporation	Principal activity	Share holding	% owned	
				31 December 2013	1 January 2013
Key Bidco Limited	United Kingdom	Holding company	Ordinary	100	100
The A & A Group Limited ¹	United Kingdom	Insurance intermediary	Ordinary	100	100
Hyperformance Limited ¹	United Kingdom	Insurance intermediary	Ordinary	100	100
SAS Auto First ²	France	Insurance intermediary	Ordinary	100	100
Mulsanne Holdings (Gibraltar) Limited ²	Gibraltar	Holding company	Ordinary	100	100
Mulsanne Insurance Company Limited ⁴	Gibraltar	Insurance underwriter	Ordinary	100	100
Autofirst (UK) Limited ²					
Quotea Limited ²	United Kingdom	Dormant	Ordinary	100	100
Insure your motor Limited ³	United Kingdom	Dormant	Ordinary	100	100
Ridgewell Limited ³	United Kingdom	Insurance intermediary	Ordinary	100	100

The Company directly owns all the issued ordinary share capital of Key Bidco Limited. All other subsidiary undertakings are indirectly wholly owned through other group undertakings as noted below.

¹ Indirectly owned through Key Bidco Limited

² Indirectly owned through The A & A Group Limited.

³ Indirectly owned through Hyperformance Limited

⁴ Indirectly owned through Mulsanne Holdings (Gibraltar) Limited.

7. Debtors

	2013 £000	2012 £000
Called-up share capital not paid	-	70
	<u>-</u>	<u>70</u>

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013 (continued)

8. Creditors: Amounts falling due within one year

	2013	2012
	£000	£000
Amounts owed to group undertakings	314	70
Loan interest	5,669	3,166
Accruals and deferred income	10	-
	<u>5,993</u>	<u>3,236</u>

9. Creditors: Amounts falling due after more than one year

	2013	2012
	£000	£000
Unsecured loan notes (note 10)	35,443	33,750
Amounts owed to group undertakings	-	12
	<u>35,443</u>	<u>33,762</u>

10. Loans

An analysis of the maturity of loans is given below:

	2013	2012
	£000	£000
Amounts falling due in more than five years:		
Repayable otherwise than by instalments		
Investor 12.5% unsecured loan notes 2022	19,732	18,039
Vendor 10% unsecured loan notes 2022	6,000	6,000
Management 12.5% unsecured loan notes 2022	9,711	9,711
	<u>35,443</u>	<u>33,750</u>

On 20 December 2013 the Company issued £1,693,024 of unsecured Investor 12.5% loan notes 2022, (PIK Notes) in satisfaction of outstanding interest due on previously issued PIK Notes.

11. Called up share capital

Allotted, called-up and fully paid

		2013	2012
Number	Description	£000	£000
945,000	Ordinary shares of £0.01p each	9	9
		<u>9</u>	<u>9</u>

12. Reserves

	Share premium	Profit and loss	Total
	£000	£000	£000
At 1 January 2013	936	(3,178)	(2,242)
Loss for the year	-	(6,726)	(6,726)
At 31 December	<u>936</u>	<u>(9,904)</u>	<u>(8,968)</u>

Key Midco Limited

Notes to the Financial Statements for the year ended 31st December 2013 (continued)

13. Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Loss for the financial year	(6,726)	(3,178)
New shares issued	-	945
Net reduction of shareholders' funds	(6,726)	(2,233)
Opening shareholders' funds	(2,233)	-
Closing shareholders' funds	<u>(8,959)</u>	<u>(2,233)</u>

14. Ultimate and immediate parent company

The Company's ultimate and immediate parent company is Key Topco Limited a company incorporated in the United Kingdom. The directors consider the ultimate controlling party to be Funds managed by Darwin Private Equity LLP a limited liability partnership registered in England and Wales.

The largest and smallest group in which the results of Key Midco Limited are consolidated is that headed by Key Topco Limited. Copies of the consolidated accounts of Key Topco Limited may be obtained from Garrick House, 161 High Street, Hampton Hill, Middlesex, TW12 1NG.

15. Related party disclosures

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the Group.

In the period Key Midco Limited has made payments to Darwin Private Equity LLP for Directors fees and expenses of £51,883, in respect of the services provided by I H Chippendale, S Delaney and J R Kaye.

16. Contingent liabilities

The Royal Bank of Scotland plc has a fixed and floating charge over all property and assets of the subsidiary companies, The A & A Group Limited and Hyperformance Ltd. Secured borrowings at 31 December 2013 totalled £13,327,000 (2012:£16,803,000).

Key Bidco Limited, a subsidiary company has agreed to pay up to a further £1.5 million to the vendors of The A & A Group Limited on its subsidiary, Mulsanne Insurance Company Limited, meeting specified loss ratio performance for underwriting years 2010 and 2011. The A & A Group Limited is a trading company acquired by Key Bidco Limited in the period ended 31 December 2012.

This event will be treated as additional purchased goodwill in the period in which the event may arise and has not been provided for in these financial statements.

The Company is a member of the Key Bidco Limited UK VAT Group registration and as such has a joint and several liability for any VAT owed by the group to HM Revenue and Customs.

17. Events after the balance sheet date

On 6 March 2014 the Group's subsidiary The A & A Group Limited, sold all of the ordinary share capital of its subsidiary SAS Auto First. Of the net proceeds of £10.1m, £8.6m has been applied in repaying secured bank loans.

On 27 June 2014, the Company issued secured Loan Notes (New Investor Notes) to the value of £2,000,000 to Darwin Private Equity LLP, the Company's ultimate controlling party. The loan notes are redeemable by 22 March 2022 and carry a fixed interest rate of 25% per annum.

On 27 June 2014 the Company issued secured Loan Notes (New Manager Notes) to the value of £1,051,108 to ADMA Allen, a director of the Company. The loan notes are redeemable by 22 March 2022, carry a fixed interest rate of 25% per annum.